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Diana T Fritz 03/15/2007 03:04:52 PM From DB/Inbox: Search Results

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SIPDIS
TELEGRAM

March 21, 2004

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 790 - ROUTINE)
TAGS: EPET, PGOV, BEXP, ENRG, ECON, EINV
Captions: None
Subject: FORMER UAE OIL MINISTER SHARES "SECRET" DOCUMENT ON ABU
DHABI OIL PRODUCTION
Ref: None

C O N F I D E N T I A L ABU DHABI 00790

SIPDIS
CXABU:
ACTION: ECON
INFO: P/M AMB DCM POL
Laser1:
INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: AMB: MWAHABA
DRAFTED: ECON:CCRUMPLER
CLEARED: DCM: RALBRIGHT

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RR RUEHC RUEHHH RUEHDE RUCPDOG RHEBAAA
DE RUEHAD #0790/01 0810515
ZNY CCCCC ZZH
R 210515Z MAR 04
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 3633
INFO RUEHHH/OPEC COLLECTIVE
RUEHDE/AMCONSUL DUBAI 3860
RUCPDOG/USDOC WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 ABU DHABI 000790

SIPDIS

NOFORN

DEPT FOR NEA/RA, NEA/ARP, INR/EC, EB/IEP, EB/CBA
USDOE FOR INT'L AFFAIRS - COBURN, ALSO CALIENDO
USDOE FOR OFFICE OF THE SECRETARY - RHONDA HUDOME
USDOC FOR 1000/OC/
USDOC FOR 4520/ITA/IEP/ONE
USDOC FOR 4530/ITA/MAC/ONE/DGUGLIELMI
4500/ITA/MAC/DAS/WILLIAMSON
3131/CS/OIO/ANESA

E.O. 12958: DECL 03/21/2009
TAGS: [EPET](#) [PGOV](#) [BEXP](#) [ENRG](#) [ECON](#) [EINV](#) [TC](#)
SUBJECT: FORMER UAE OIL MINISTER SHARES "SECRET" DOCUMENT
ON ABU DHABI OIL PRODUCTION

¶1. (U) Classified by Ambassador Marcelle M. Wahba, for
reasons 1.5 (B) and (D).

¶2. (C/NF) Special Adviser to the President and the UAE's first Oil Minister Man'a Al-Otaiba recently passed the Ambassador a document on Abu Dhabi oil production marked "secret," and dated February 16, 2003. Al-Otaiba told the Ambassador that he intended to present the document to UAE Armed Forces Chief of Staff Shaykh Mohammed bin Zayed; the document communicates his vision for the future of Abu Dhabi's oil sector -- outlining current production capacity and suggesting ways to increase oil production during the next 10 years to maximize revenue.

¶3. (C) The Al-Otaiba family is closely allied with the Bani Yas tribal confederation (which includes the Al-Nahyan). Man'a Al-Otaiba was one of only three university graduates from Abu Dhabi at the time of the federation (he went to Baghdad University). He subsequently was selected to be the UAE's first Petroleum Minister. He led the oil ministry from its inception until the late 1980s, and currently is one of 12 members on the Abu Dhabi Supreme Petroleum Council -- the organization that oversees all of the emirate's oil production and the Abu Dhabi National Oil Company (ADNOC), and determines Abu Dhabi's position on OPEC issues. He seems to have fallen out of favor with most of the leading shaykhs and has a generally unfavorable reputation around town. UAE Deputy Prime Minister Shaykh Hamdan bin Zayed has told the Ambassador that Al-Otaiba often makes bold initiatives without first consulting with the relevant players.

¶4. (C) We offer below an unofficial translation of the "secret" document, but caution that Al-Otaiba intends to influence the reader as much as inform. We believe that Al-Otaiba seeks to disparage current ADNOC CEO Yousef bin Omeir Yousef and cast doubt on Yousef's management of Abu Dhabi's oil sector, and at the same time burnish his own credentials among the senior shaykhs. Nevertheless, his views are interesting given his significant experience in the UAE oil sector.

¶5. (C/NF) Begin text of document:

It is my pleasure to submit to Your Highness some important points on various economic, political and social issues.

I shall begin with a report on the oil sector, in which I highlight some important features of the petroleum industry and Abu Dhabi's current production capacity. I also discuss the possibility of increasing oil production so as to optimize our petroleum wealth and boost our oil revenue to its maximum limit without negatively affecting our petroleum fields.

The main points are as follows:

First: The current oil production capacity of our offshore and onshore fields is 2.3 million barrels per day with about 60 billion cubic meters of gas. It is noteworthy that most of the gas associated with our offshore and onshore oil production is liquefied and sold through the ADGAS plant (which produces gas from the offshore fields) and the GASCO plant (which produces gas from the onshore fields).

With the permission of Your Highness, I believe that it is possible to raise our oil production capacity in the medium-term to an average of 5 million barrels per day, and sustain this for at least 20 years. We have huge oil reserves -- the third largest in the world after Saudi Arabia and Iraq -- and we represent more than 11 percent of the world's total oil reserves.

Second: In order to increase the production capacity in Abu Dhabi to 5 million barrels per day, we should take the following into consideration:

1 - The plan should lead to a gradual increase in oil production capacity as per the following table, which shows

the investment and the period required to achieve 5 million barrels per day.

Production Capacity (In millions barrel a day)	Total Investment (In \$ billions)	By Year
3	1	2006
3.5	2	2008
4	3	2010
5	4	2014

2 - The goal of the plan should be to maintain a production capacity of about 5 million barrels per day for 20 years (2014-2034).

3 - The plan should focus on developing the Upper Zakum field, which ZADCO currently manages, since the oil reserves of the Upper Zakum field represent more than 28 percent of Abu Dhabi's known oil reserves.

The following table shows Abu Dhabi's current known oil reserves distributed by field:

Name	Total Reserves (Million barrels and condensate)	Total Extractable Reserves (Million Barrels)
Onshore Fields		
Murban	103,083	51,541.5
Offshore Areas (Lower Zakum, Umm Shaif)	50,873	25,436.5
Upper Zakum	60,000	30,000
Other Offshore	6,955.4	3,477.7
Total Offshore	117,828.4	58,310.4
Total production of Abu Dhabi Emirate	220,911.4	110,455.7

4 - It is necessary to seek assistance from companies with significant experience and technical experience in oilfield development. Such technology is available in the international market.

5 - The plan should take advantage of cutting-edge, proprietary technology in order to maximize oil extraction above 50 percent.

6 - The plan should allow for the exploration and development of areas that have not been surveyed adequately. In light of the constant development of new technologies in oilfield exploration, it also is necessary to reconsider exploration of areas previously deemed to be without commercially viable deposits.

7 - The plan also should focus on expanding production capacity for offshore and onshore gas plants or building new gas plants to receive the additional gas accompanying the increased oil production (an increase from 2.3 million barrels to 5 million barrels per day). Abu Dhabi has the third largest gas reserves in the world after the former USSR and Iran. Maximizing our gas production will multiply our revenue consequently.

8 - Given the increase in oil production, condensates also will increase -- perhaps to 500,000 barrels a day. Condensates have about the same value as light crude.

The following table shows the gas reserves in Abu Dhabi Emirate and other emirates:

(In trillions of cubic feet)

Emirate	Associated	Non-Associated	Total
Abu Dhabi			
ADCO	78.44	85.68	164.12
ADMA-OPCO	47.02	65.55	112.57
Other	19.64	10.27	29.91
Total Abu Dhabi	145.1	161.5	306.6
Total Dubai	10.0	10.0	20.0
Total Sharjah	2.0	20.0	22.0
Others	2.0	4.0	6.0
Total UAE	159.1	195.5	354.6

Third: The developments in the oil market indicate an expected drop in the oil supply during the next few years, and a subsequent increase in oil prices. Abu Dhabi, therefore, should be prepared to take advantage of this situation:

- 1 - Abu Dhabi should make every attempt to fulfill the market's demand for oil, as we cannot "sleep on huge oil reserves" while the world is "dying of thirst for oil."
- 2 - Abu Dhabi should take advantage of the upward pressure on prices during the coming period to maximize revenues.
- 3 - The following table shows approximate expected annual revenue for Abu Dhabi Emirate during the 2006-2014 timeframe if the above-mentioned plan is implemented:

Year	Production (MB/Day)	Est. Oil Price (\$/Barrel)	Est. Oil Revenue (\$ Million/Day)
2006	3	30	32,850.00
2008	3.5	35	44,712.50
2010	4	38	55,480.00
2014	5	40	73,000.00

In addition, Abu Dhabi receives revenue from oil and gas condensate, the sale of refined products and petrochemicals -- the total value of these exports could reach \$7 billion by 2014.

This forecast does not take into consideration any unforeseen circumstances; these figures therefore should be revised on an annual basis.

I believe this study is just the start of what we could do with our petroleum industry in a new world that is full of changes.

Best regards,
Dr. Man'a Saeed Al Otaiba,
Special Advisor to His Highness the President

End of text.

Wahba